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Outgoing
C0070038
OK

January 7, 2009

Dennis Ware, Controller
Plateau Mining Corporation
P.O. Box 30
Helper, Utah 84526-0030

Subject: 2008 Midterm Permit Review, Plateau Mining Corporation, Willow Creek Mine,
C/007/0038, Task ID#3044

Dear Mr. Ware:

The Division has completed the Midterm Permit Review of the Willow Creek Mine. The results of the review are contained in the enclosed Technical Analysis.

Please provide the Division with 6 clean copies of the updated list of Officers and Directors information for Foundation Coal Inc. by February 5, 2009. Once we receive these copies, a stamped incorporated copy will be returned to you for insertion into your copy of the Mining and Reclamation Plan.

This concludes the Midterm Permit Review for the Willow Creek Mine. Thank you for your help during this process.

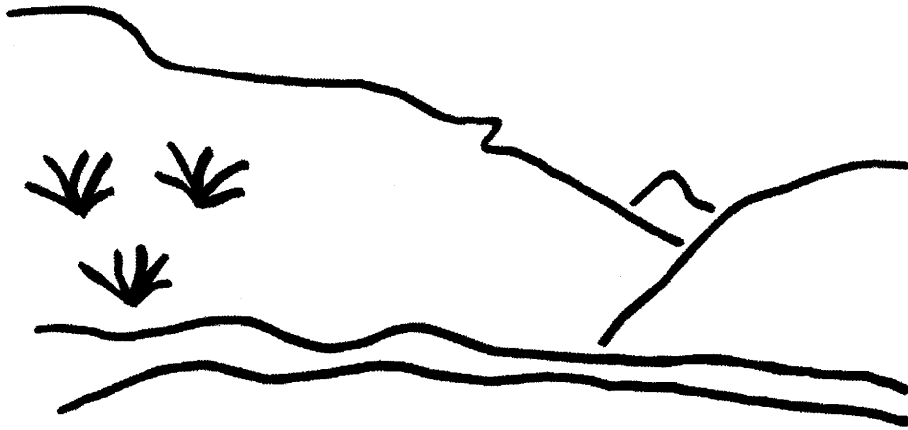
Sincerely,

James D. Smith
Permit Supervisor

JDS/AAA/sqs
Enclosure
cc: Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Willow Creek Mine
2008 Midterm Permit Review
C/007/0038, Task ID #3044
Technical Analysis
January 7, 2009

2008 Midterm Permit Review

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TECHNICAL ANALYSIS

The Division ensures compliance with the Surface Mining Control and Reclamation Act of 1977(SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings, which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference describing the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

2008 Midterm Permit Review

INTRODUCTION

The Willow Creek Mine is presently inactive. Several areas of the mine have been reclaimed including the Willow Creek portals, the Crandall Canyon surface facilities, the Castle Gate (Willow Creek) preparation plant area, and the Schoolhouse Canyon refuse area. The last permit amendment that required incorporation into the mining and reclamation plan (MRP) was an amendment requesting that the Barn Canyon Shaft area (which was never constructed) be removed from the permit area, reducing the permitted acreage by 2.64 acres. Subsequently, an amendment to reduce the bond for this acreage was submitted and approved.

The Division initiated a mid-term permit review of the Willow Creek Mine on September 16, 2008 with a letter to Plateau Mining Corporation indicating the review will commence at the middle of the permit term (October 23, 2008). The Division chose the following elements of the permit for review:

1. A review of the mine plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and Permittee-initiated plan changes are appropriately incorporated into the mine plan document.
2. A review to ensure that the mine plan has been updated to reflect changes in the Utah Coal Regulatory Program that have occurred subsequent to permit approval (example: compliance with U.S. Fish and Wildlife Department - Colorado River Endangered Fish Recovery Program).
3. A review of the applicable portions of the permit to ensure that the mine plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
4. An AVS check to insure that Ownership and Control information is current and correct, verify compliance status of unabated enforcement actions, determine status of any outstanding finalized penalties, and verify that there are no demonstrated patterns of violation.
5. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate current-year dollars.
6. A review of the mining and reclamation plan for compliance with operator

commitments related to variances or special permit conditions (including but not limited to subsidence control/monitoring plans and reporting requirements, variances to AOC, experimental practices, electronic database water monitoring reporting, raptor surveys, revegetation test plots, etc.).

7. The Division may conduct a technical site visit, in conjunction with the assigned compliance inspector, to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

VIOLATION INFORMATION – (Item 1, page 5)

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

Analysis:

The midterm review process requires the Division to review all Division Orders, and Notice of Violation abatement plans. The Division is also required to confirm that Permittee-initiated plan changes have been effectively incorporated into the plan document (Salt Lake City Division headquarters copy).

At the present time, there are no Division Orders pending for the Willow Creek Mine permit area. As noted elsewhere within this document, all reclamation activities were completed by July 2008 with the backfilling of the Crandall Canyon shaft. Phase I Bond Release has been granted for the Gravel Canyon and Schoolhouse Canyon Refuse areas. Phase III Bond Release has been granted for the Willow Creek Preparation Plant. The only Permittee-initiated plan change was a recent amendment to remove the Barn Canyon shaft area, thereby reducing the permit area acreage and the bond amount. The Division recently approved the amendment.

There are no Notices of Violation pending for the Willow Creek Mine, C/007/038.

Findings:

The minimum regulatory requirements have been addressed.

RECOMMENDATIONS:

This portion of the midterm review is recommended for approval.

2008 Midterm Permit Review

FISH AND WILDLIFE INFORMATION - (Item 2, page 5)

Regulatory Reference: 30 CFR Sec. 784.21, 817.97; R645-301-322, -301-333, -301-342, -301-358.

Analysis:

Endangered and Threatened Species

Active mining entities are required by the U. S. Fish and Wildlife Services Colorado Fish Recovery Program to provide calculations for the consumption of water that would be contributed to the Upper Colorado River Basin. This basin provides the habitat for four endangered fish species, the Colorado Pike Minnow, Bony tail Chub, Humpback Chub and Razor back Sucker. Mine water consumption in excess of 100 acre feet per year requires a one time payment of approximately 15.00/acre foot.

Since the mine has been reclaimed there is no consumption of water that would otherwise be provided to the Upper Colorado River Basin. Therefore no additional information regarding the consumption of mine water in acre feet per year is required at this time.

Findings:

The information in the current MRP is adequate to meet the requirements off this item in the Midterm review.

RECOMMENDATIONS:

This portion of the midterm review is recommended for approval.

HYDROLOGIC INFORMATION – (Item 3, page 5)

Regulatory Reference: 30 CFR Sec. 784.14, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-301-512, -301-513, -301-514, -301-515, -301-532, -301-533, -301-542, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-733, -301-742, -301-743, -301-750, -301-751, -301-760, -301-761.

Analysis:

Hydrologic Reclamation Plan

Reclamation for the entire permit area has been completed as of July 2008 with the backfilling of the Crandall Canyon shaft being the last remaining portion of the mine requiring reclamation. The Permittee met the requirements for establishing the hydrological structures needed to for Phase I bond release. One reclaim channel is located at Gravel Canyon. Since the channel in Gravel Canyon is ephemeral, the Permittee designed the reclamation channel to safely pass a 10-year 6-hour storm with a minimum freeboard of 1 foot. The 10-year 6-hour storm for this area is 1.4 inches.

The Permittee used several measures to control sediment during reclamation:

- Placement/redistribution of topsoil.
- Mulching.
- Deep gouging.
- Seeding.
- Tackifying.

All reclaimed area have been pocked and seeded. All topsoil was used in reclamation. Pocking is used to control sediment from the site. The site is completely backfilled and graded.

Findings:

Information provided in the application is adequate to meet the minimum Hydrologic Reclamation Plan requirements of the regulations. Best technology currently available (BTCA) has been implemented at this site to prevent additional contributions of suspended solids to stream flows outside of the permit area.

RECOMMENDATIONS:

This portion of the midterm review is recommended for approval.

2008 Midterm Permit Review

IDENTIFICATION OF INTERESTS – (Item 4, page 5)

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

Analysis:

Plateau Mining Corporation is listed as a subsidiary of parent company Foundation Coal Holdings, Inc. as shown in an organizational chart provided in the 2007 Annual Report. The 2007 Annual Report provides changes to officers with their respective election dates. Chapter 1 in the MRP requires updates with the most current information.

Findings:

R645-301-112, Foundation Coal Holdings is reflected in the organizational chart as the parent company to Plateau Mining Corporation as provided in the 2007 Annual Report. The 2007 Annual Report provides further changes to Officers and Directors. The relevant portions of Chapter 1 in the MRP should be updated with the most current information.

RECOMMENDATIONS:

The Permittee needs to provide the Division with an updated list of Officers and Directors to be incorporated into the MRP.

BONDING AND INSURANCE REQUIREMENTS – (Item 5, page 5)

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

A reclamation bond amount of \$ 2,275,114.00 was determined as adequate to reclaim the remaining disturbed areas of the Willow Creek Mine on September 20, 2006. Two areas have been given Phase III bond release (the prep plant area and the mine facilities area). Only one area has seen construction activity in the last two years, that being the Crandall Canyon shaft area. The lower shaft has recently been backfilled, and monitoring of that mine opening for settling is ongoing at this time. To date, only a small acreage has been granted a bond release (Phase III) in the Crandall Canyon area (7.2 acres comprising a leach field (located at the upper Canyon end of the disturbance)).

Disturbed areas of the site that have received a Phase I bond release include the following:

- 1) Barn Canyon
- 2) Gravel Canyon
- 3) School House Canyon refuse pile
- 4) Overland conveyor corridor from Mine portal to Castle Gate side.

At present, there are no bond release applications pending for the Willow Creek site.

Form of Bond

The current bond held by the Division for the Willow Creek site is a surety bond held by the Travelers Casualty and Surety Insurance Company.

Determination of Bond Amount

The bond amount was last adjusted on September 20, 2006. There has not been a need to re-evaluate this amount since that date.

Findings:

The Permittee continues to meet the requirements of R645-301-800 by maintaining the bond amount required by the Division.

RECOMMENDATIONS:

This portion of the midterm review is recommended for approval.

2008 Midterm Permit Review

ANALYSIS OF IN-PLACE PERMIT CONDITIONS – (Item 6, page 5)

Analysis:

Part of the mid-term permit review process requires the Division to review all permit conditions that are in place at the time. The current State of Utah permit issued by the Division of Oil, Gas and Mining was renewed with an effective date of April 24, 2006. The current permit contains only one permit condition, that being the requirement to submit water quality data for the Willow Creek Mine beginning via the Electronic Data Input web site, <http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>.

Findings:

The Permittee is complying with the special condition established within the State of Utah mining permit, included with Attachment A.

RECOMMENDATIONS:

This portion of the midterm review is recommended for approval.